



Putauaki Trust



Annual Report 2013

Kokohinau Marae, Te Teko
Friday 6th December 2013



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Putauaki Trust

Directory

Trustees

Tiaki Hunia (Chairman)	Te Teko
Charlie Elliott (Deputy Chairman)	Te Teko
Waaka Vercoe	Whakatane
Anaru Rangiheuea	Rotorua
Eric Eruera (Associate Trustee)	Te Teko
Kiriwaitingi Rei	Rotorua

General Manager

John O'Brien	PO Box 99 Kawerau
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Auditor

BDO	PO Box 143 Rotorua
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Solicitors

Blackman Spargo	PO Box 6206 Rotorua
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Bank

Westpac Bank	PO Box 841 Rotorua
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Putauaki Trust

PUTAUAKI TRUST KEY FACTS 2013

LAND

	AREA	LATEST VALUATION
Putauaki Block, Kawerau	1,187.34ha	5,400,000
Himiona Farm, Te Teko	92.57ha	3,945,000

SHAREHOLDERS

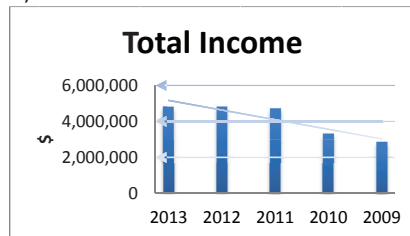
1,773.9 shares 962 Shareholders (452 with current addresses)

DISTRIBUTIONS \$551,265 (2012:\$552,350)

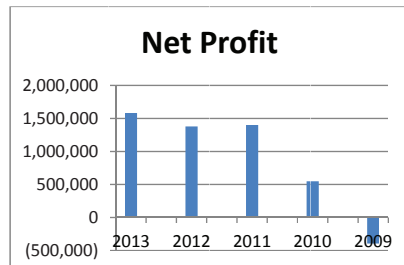
- \$413,326 Dividend paid to Shareholders
- \$42,450 Tertiary Grants paid to 82 individuals
- \$50,000 Marae Grant paid to Kokohinau Marae
- \$12,100 Boarding School Grants paid for 22 students
- \$33,389 Health and Discretionary Grants paid to 36 individuals and 6 Community Groups

FINANCIAL

Income **\$4,796,805 (2012:\$4,800,762)**



Tax Paid Profit **\$1,582,973 (2012:\$1,378,054)**



Total Equity **\$20,200,684 (2012:\$18,294,349)**



2013 AGM AGENDA

- 1 Mihi/Karakia
- 2 Apologies
- 3 Confirmation of the Minutes of the last Annual General Meeting
- 4 Matters Arising from the Minutes
- 5 Chairman's and Trustees' Report for the Year Ended 30 June 2013
- 6 Confirmation of Titi Eruera as Trustee
- 7 General Manager's Report for the Year Ended 30 June 2013
- 8 Financial Statements and Auditors Report for the Year Ended 30 June 2013
and reappointment of auditors.
- 9 Farm Reports



Putauaki Trust

Minutes of the Annual General Meeting

*Held at Kokohinau Marae, Te Teko
Saturday 8th December 2012 at 10am*

Present:

Tiaki Hunia (Chairman), Charlie Elliott, Anaru Rangiheuea, Waaka Vercoe, Kiriwaitangi Rei (Trustees), John O'Brien (General Manager), and approximately 70 shareholders and Observers as per attendance list.

Karakia:

Hemana Eruera

Mihi Whakatau:

Anaru Rangiheuea

Newly appointed Chairman, Tiaki Hunia welcomed all Shareholders, and acknowledged his predecessor, Waaka Vercoe for his commitment to the Trust during his term as Chairman. A warm welcome was also extended to Kiriwaitangi Rei who was officially appointed as a Full Trustee earlier in the year.

Waaka responded by acknowledging the support given to him by fellow Trustees and Shareholders

Apologies:

Beverley Hughes (Trustee), and those noted on the apologies schedule

Resolution

That the apologies be sustained

Moved by – Shaneen Almond

Seconded by – Margaret Burton

Carried

Previous Minutes:

Resolution

That the minutes of the Annual General Meeting held on 8th December 2011 be received and adopted.

Moved by – Renata Kaipara

Seconded by – Erina Pakeha

Carried

Matters Arising There-from:

1. **Spelling Correction**

Mihi Moloney, not Maloney as stated in the minutes

Chairman & Trustees Report 2012:

The Chair presented his report acknowledging the Trusts strong economic performance in the past 12 months. He highlighted the Trusts approach to refine its existing operations in order to optimize performance. An increase in the Himiona Dairy Farm results for the season has been a testament to this approach.

Mention was also made of the Trusts investment in the Industrial Zone, a key component of the Trusts new strategy, and a critical step in the developmental plans for the future.

Resolution:

That the Report be received and adopted

Moved by – T Hunia

Seconded by – W Vercoe

Carried

General Managers Report 2012:

The GM presented his report giving an overview of the Trusts Business activities for the Year.

Resolution:

That the GM Report be received and adopted

Moved by – T Hunia

Seconded by – J Hunia

Carried

To note the Putauaki Charitable Trust has been established and all grants will now be paid by the Charitable Trust. The Charitable Trust will be funded by way of a donation from Putauaki Trust and any income earned by the Charitable Trust will be tax free.

Financial Statements and Auditor's Report:

John O'Brien gave a presentation on the Trust's Financial Results for the 2012 Year and provided commentary on the Revenue and Expenses for the current and previous years together with the Budget for 2013.

Discussions

- A question was raised as to why the Trust may have to borrow money to set up the Industrial Zone. In response, the GM advised that roading infrastructure costs alone are expected to be substantial and in order for the project to be completed, the Trust may need to borrow money.
- A query on W&D Boat expenses, GM advised that these expenses related to survey, registration and maintenance costs of the two boats which the Trust still owns and that they are still required to be kept up to date. The boats are currently up for sale.

Resolution

That the Financial Statements and Auditor's Report for the year ended 30th June 2012 as circulated be adopted

Moved by – W Vercoe

Seconded by – S Simpson-Almond

Carried

The Trust once again received a Qualified report as a result of the Kawerau block not being valued by an independent Valuer. To note that the Trust may undertake a full valuation once the Industrial Zone has been completed

Appointment of Auditor

Resolution

That BDO be re-appointed as Auditor for the Trust for 2013

Moved by – T Hunia

Seconded by – A Rangihuea

Carried

Annual Farm Report

A presentation by Farm Consultant Peter Livingstone giving an overview of the Trust's Farming Operations which included the Himiona Dairy Farm Unit, Beef Farm, Dairy Grazing and Maize operations.

Discussions

- The Karaitiana Block is not currently used by the Dairy Farm as there is a longstanding lease which the Trust is receiving rental for. This lease is due for review in 2017.
- The Trust will move a house off the Beef Farm to Himiona Farm to accommodate Farm employees.

Resolution:

That the Annual Farm Report be approved

Moved by – Te Urupiki Samuels

Seconded by – Ellen McDaid

Carried

Strategic Plan Update Report:

Presented by Tiaki Hunia giving an overview of the Trusts Plans to 2017

Resolution

That the Strategic Plan Update Report be received

Moved by – T Hunia

Seconded by – S Simpson-Almond

Carried

Industrial Re-Zoning Report:

Presented by John O'Brien giving a full overview on progress made to date

Resolution:

That the Industrial Re-zoning report be received

Moved by – Waaka Vercoe

Seconded by – M Moloney

Carried

To note Shareholders acknowledgment to Trustee, Beverley Hughes for her valuable input into this project.

Presentation of Education Grants

Discussions

Prior to presentations to those Grant recipients present, the question was raised as to why the Education grants were not available to Secondary and Primary Schools in general. CE responded that Te Kura o Te Teko was the only School recognized under the current policy and that Trustees may look at this when the next review of their grant policies is carried out.

Four presentations were made to grant recipients:

1. Haleigh O'Brien – Graduated Bachelor Communications with 1st Class Honours
2. Charlie Broughton - 2nd year Bachelor of Education
3. Raheera Broughton - 3rd year Bachelor of Nursing
4. Rangikaawhitia Tahana – Graduated Certificate of Travel & Tourism

Dino Mohi also acknowledged the Trust for grants given to his mokopuna Te Rongopai to assist with her Golfing commitments.

There being no further business the hui was closed at 12.45pm

Signed (Chairman)

Dated: _____



Putauaki Trust

2013 Chairman's & Trustees' Report

E te Iwi, kua mihiā, kua tangihia o tatou mate,

Moe mai koutou, moe marie ki te waahi ngaro.

E moe, e moe, e moe

Ko tatou ra enei, ko nga morehurehu

E tangi nei, e mihi nei

Tena rawa atu tatou katoa.

It is my pleasure to present this annual report as Chairman of Putauaki Trust for the 2012/13 financial year. To those owners who are attending their first AGM- a very warm welcome. To those who have been here before – welcome back.

Against a challenging economic environment, Putauaki Trust has continued to perform strongly over the last 12 months. These results are outlined in detail in our General Manager's report.

We continue to explore opportunities of collaborative investments with like-minded entities while also refining our existing operations to optimise performance. This year's results from our Equities portfolio are testament to the robustness of our diversified approach.

The Trust is also proud to continue supporting community initiatives as well as our education grants, and to all those tertiary grant recipients we wish you well in your studies and look forward to celebrating your success.

I would like to acknowledge our General Manager John for his leadership throughout the year, strongly supported by Pet and Pru in the office and Fred and Jason on farm. The Trust's solid performance this year is a direct reflection of our staff's skills and unwavering dedication.

I'd also like to recognise our farm advisor Peter Livingston for his steady guidance, and most importantly my fellow trustees for their unwavering commitment to protecting and enhancing the assets of Putauaki Trust.

As an organisation we have made significant progress in recent years, and though we still have much to achieve, it is important to stop and reflect on the progress we have made. To that end I would like to acknowledge the immense contribution of Beverley Hughes who resigned this year as a Trustee after more than a decade of dedication and commitment to Putauaki Trust.

Bev was a champion of environmental matters and a strong advocate of collaboration, her skill and expertise will be sorely missed around the board table, but she leaves a lasting legacy which she can be duly proud of.

Finally, on behalf of all the trustees I would like to take this opportunity to wish you all the very best for the Christmas season and a happy New Year.

Tena tatou katoa.

Trustees of Putauaki Trust

Tiaki Hunia, Chairman.



Putauaki Trust

2013 GENERAL MANAGER'S REPORT

Tena raTatou Katoa,

It is with pleasure that I present my Annual General Manager's Report for the Trust. It has been a great year financially for the Trust despite the detrimental effects of the drought on the Trust's farming operations during the summer. Although the drought had a negative impact on the Trust's agribusiness results of approximately \$250,000 because of its diverse income streams and asset base, the Trust still recorded an increase in its Net Profit After Tax of 14.88% to \$1.583 million (a record result for the Trust). In addition the total assets of the Trust have increased 9.9% to \$20.9 million. This compares to \$8 million in assets and a net profit of \$0.4 million ten years ago, an increase of 161% and 296% respectively. This has been due to the astute decisions made by the Trustees in the past and the challenge for the Board going forward is to maintain this growth in a sustainable manner so that in another ten years the Trust will be recording hopefully a \$40 million asset base with a \$3 million profit figure.

The following is my report on the Trust's activities and performance for the year ended 30 June 2013:

Financial Performance

A summary of the Trust's financial information is outlined below:

FINANCIAL INFORMATION

	2013	2012	2011	2010	2009
	\$	\$	\$	\$	\$
Total Revenue(,000)	4,797	4,801	4,706	3,326	2,856
Total Expenses (,000)	2,956	3,139	3,009	2,640	3,221
EBITDA (,000)	1,976	1,822	1,886	929	-131
EBITDA % of Revenue	41.19%	37.95%	40.08%	27.93%	-4.59%
EBITDA % of Assets	9.90%	9.59%	10.50%	5.54%	-0.78%
Net Profit After Tax (NPAT)(,000)	1,583	1,378	1,401	548	-395
NPAT % of Av Assets(Return on Assets)	7.93%	7.45%	8.07%	3.29%	-2.37%
NPAT % of Revenue(Net Profit Margin)	33.00%	28.70%	29.77%	16.48%	-13.83%
Total Assets (,000)	20,893	19,013	17,962	16,764	16,554
Total Liabilities (,000)	692	718	822	813	789
NTA (,000)	20,201	18,295	17,139	15,950	15,764
NTA per share	11,387.72	10,312.49	9,661.22	8,990.98	8,886.13
Return on Equity(NPAT/Av Equity)	8.22%	7.78%	8.47%	3.46%	-5.01%
Net Tax Paid Profit Per Share	892.37	776.82	789.79	308.92	-222.67
Dividend per Share	268.00	233.00	237.00	120.00	120.00

Farming Operations

Himiona Dairy Farm

Himiona Dairy Farm under the management of Jason Wakefield has had another good season despite the drought, with milk solids production reaching 189,781 kg compared to 175,679 kg last season. This was below the target of 200,000 kg however this level of production would have easily been achieved had the drought not occurred. The Farm is expected to produce 215,000 kg for 2013-14 with an average of 590 cows milked. The Farm produced a Surplus before Depreciation, Rental and Development Costs of \$530,000 equivalent to a Return on Capital Employed of 10.3%. In addition the Farm's holding of Fonterra shares returned a capital profit of \$540,701 for the year.

We are currently reviewing all areas of the Farm's operation including performance, productivity, strategy, environment, sustainability etc in preparation of entering the Farm in the Ahuwhenua Dairy Farm awards next year.

Drystock Farm and Lease Blocks

As reported at last year's AGM the Trust was investigating the possibility of converting part of the Dry Stock Farm in Kawerau to a Dairy Operation. The Trustees are pleased to report that a production well has been successfully drilled on the block providing access to sufficient water and quality water for application to pasture. We are currently planning to convert 130ha of the farm to a Dairy operation, and this together with 70ha of leased land will provide a milking platform of 200 odd hectares to milk 600 cows. The capital investment to achieve this conversion will be between \$4-\$5 million. The forecasted cash flows from this dairy conversion will provide a return on investment of close to 10%.

The growing of maize on 154ha of the leased blocks the Trust manages has provided another profitable contribution for the Trust. Although the yields on the maize crops were not as good as last year because of the drought a profit before rental costs of \$215,000 was still recorded.

Peter Livingston of AgFirst will give a more detailed review of the Trusts' Farming operations at the AGM.

Investment

During the year the Board completed a Statement of Investment Policies and Objectives which provides the Trust with guidelines and parameters on investment decisions and asset allocation. The Trust has been slowly increasing its exposure to the NZ and Australian Equity Markets through direct investment in companies with a sound financial position and a track record of earnings and dividend growth. The NZ share market performed strongly during the financial year ended 30 June and as a result the Trust recorded a profit of \$163,000 on its share portfolio as well as receiving \$45,000 by way of dividends from the various companies during the year.

In addition the Trust also recorded an unrealised gain on its investment in Direct Capital (a private equity fund) of \$51,000 as well as receiving a cash dividend of \$50,000 from this investment.

Geothermal

The Mighty River Power Limited Power Plant in Kawerau continues to operate well and the Royalties the Trust received from MRP were close to \$1.1 million plus GST for the year ended 30 June 2013. This income is guaranteed for another 10 years under the Project Agreement between the Trust and MRP.

Industrial Zone

The Putauaki Trust Land Rezoning Plan Change process has finally been completed and the Trust now has an area of approximately 112ha available as industrial land to develop and offer to prospective tenants for long term leases. A preliminary design plan of the land which includes road infrastructure and lot sizes etc has been developed in conjunction with the Trust's consultants Bloxham Burnett & Olliver. This design is currently been discussed with various parties

including NZ Transport Agency, Kawerau District Council and others. It is hoped that we will be able to attract business's that will offer increased employment opportunities for not only the EBOP district, but also for our own beneficiaries.

Putauaki Charitable Trust Grants, Sponsorship and Dividend Policy

As reported last year the Putauaki Charitable Trust was formed during 2012 and during this current financial year the Trust paid a donation to the Charitable Trust of \$140,000. From this donation the Charitable Trust was able to pay the following grants during the year:

Tertiary Grants	\$ 39,050
Boarding School Grants	\$ 12,100
Health Grants	\$ 5,259
Marae Grants	\$ 50,000
Discretionary Grants	\$ 19,600
Total	\$126,009

In addition to the above grants paid by the Charitable Trust, the Trust itself also paid Sponsorship to various entities and individuals during the year of \$16,151.

The Trust has been able to maintain its dividend and distribution policy whereby 30% of the Trust's audited after tax profit for the year ended 30 June is paid out by way of a dividend and 10% of the after tax paid profit is paid as a donation to the Charitable Trust for grants and the balance of 60% is retained in the Trust for re-investment. As a result of this policy Shareholders received a dividend of \$268 per share for the year ended 30 June 2013.

Outlook

We have entered the new financial year with a strong Balance Sheet and strong Cash flows. We have a Trust which is focussed on being efficient and cost effective and ready to support our Shareholders and Beneficiaries with increased dividends and grants.

Despite the drought and its flow on effects, we have come to accept that volatility is a fact of life be they climatic, financial or political. We are however in very sound financial shape and expect to perform well again during the financial year ended 30 June 2014.

Acknowledgements

It has been a challenging year for the Trust with the drought however despite this it has been a successful one. I would like to express my appreciation again to our Staff and Advisors for their work and commitment. I wish to thank them for their efforts and the manner in which they have contributed.

I would also like to thank the Trustees for their support during the year and in particular Beverley Hughes for her contribution to the Trust during her term and her support during the time I have been General Manager. I look forward to working with our new Board with Tiaki at its helm in the years to come.

Finally, I thank the Owners for their continued support to the Trust and take this opportunity to wish everyone good health, and best wishes for Christmas and the New Year.

Na reira e Putauaki Trust Tena ra tatou katoa



**General Manager Putauaki Trust
John O'Brien**



Putauaki Trust

SUMMARY OF THREE YEARS FINANCIAL STATEMENTS

	2013 \$	2012 \$	2011 \$
Statement of Financial Performance			
Revenue	4,584,066	4,605,906	4,580,964
Financing Income	212,739	194,856	125,240
Total Income	<u>4,796,805</u>	<u>4,800,762</u>	<u>4,706,204</u>
Less Expenses	2,956,607	3,139,130	3,009,088
Profit/(Loss) before Tax for the Year	<u>1,840,198</u>	<u>1,661,632</u>	<u>1,697,116</u>
Less Tax Expense	257,225	283,578	295,277
Profit/(Loss) for the Year	<u><u>1,582,973</u></u>	<u><u>1,378,054</u></u>	<u><u>1,401,839</u></u>
Statement of Movements in Equity			
Equity at the Beginning of the Year	18,294,349	17,139,245	15,951,124
Add Profit/(Loss) for the Year	1,582,973	1,378,054	1,401,839
Movement in Reserves	888,628	329,400	105,097
	<u>20,765,950</u>	<u>18,846,699</u>	<u>17,458,060</u>
Less			
Dividends Paid	413,326	420,421	212,872
Donation to Putauaki Charitable Trust	140,010	-	-
Grants Paid	11,930	131,929	105,943
Equity at the End of the Year	<u><u>20,200,684</u></u>	<u><u>18,294,349</u></u>	<u><u>17,139,245</u></u>
Statement of Financial Position			
Beneficiaries Equity			
Capital	1,122,879	1,122,879	1,122,879
Reserves	8,187,416	7,298,788	6,969,388
Retained Earnings	10,890,389	9,872,682	9,046,978
Equity	<u>20,200,684</u>	<u>18,294,349</u>	<u>17,139,245</u>
Represented By			
Current Assets	4,774,407	3,860,007	3,573,388
Fixed Assets	12,395,700	11,996,078	11,720,423
Investments	3,723,045	3,156,655	2,667,780
Total Assets	<u>20,893,152</u>	<u>19,012,740</u>	<u>17,961,591</u>
Less Liabilities	<u>692,468</u>	<u>718,391</u>	<u>822,346</u>
Net Assets	<u><u>20,200,684</u></u>	<u><u>18,294,349</u></u>	<u><u>17,139,245</u></u>

The above information is a summarised extract of the Audited Financial Statements of Putauaki Trust for the three years ended 30 June. Should any shareholder wish to obtain a full copy of the Audited Financial Statements for the year ended 30 June 2013 please contact the office (07) 323 6400. A full copy of the Financial Statements for the year ended 30 June 2013 will be available at the AGM to be held on Friday 6th December 2013.



Putauaki Trust

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